

February 15, 2012

ITEM NO. C2

**AUTHORIZATION TO EXERCISE THE THIRD ONE-YEAR OPTION FOR
CONTRACT #8014 WITH INTEGRYS ENERGY SERVICES, INC. FOR THE SUPPLY
OF NATURAL GAS TO VARIOUS CHA RESIDENTIAL SITES AND FACILITIES**

To the Honorable Board of Commissioners:

RECOMMENDATION

It is recommended that the Board of Commissioners approve the attached resolution authorizing the Chief Executive Officer or his designee to exercise the third one-year option with Integrys Energy Services, Inc. for the supply of natural gas to various CHA residential sites and facilities in an amount not-to-exceed \$ 4,106,913.

AWARD/ PROCUREMENT INFORMATION

Funding: General Fund

Contractor:	Integrys Energy Services, Inc 500 West Madison Suite 3300 Chicago, IL 60661
Contract Type:	Requirements
Original Contract Amount:	\$28,000,000.00
Amount of Contract Amendment No.1:	\$ 8,440,427.00
Amount of Contract Amendment No.2:	\$ 7,084,047.00
Amount of Contract Amendment No.3:	\$ 4,106,913.00
Original Contract Term:	April 1, 2008 - March 31, 2010
Additional Contract Terms:	April 1, 2010 – March 31, 2011
Second Contract Extension:	April 1, 2011 – March 31, 2012
Third Contract Extension:	April 1, 2012 – March 31, 2013

M/W/DBE Participation:

Direct: MBE 20 % WBE % DBE %
Indirect: MBE % WBE % DBE %
Waiver: Yes/No

Section 3:

(☐) Hiring (\$) Subcontracting (\$) Other Economic Opportunities \$

EXPLANATION

In March 2011, the Board of Commissioners approved an award to exercise second one-year option with of an agreement with Integrys Energy Services, Inc. for the supply of natural gas to various CHA residential sites and facilities. Contract Amendment No. 2 will expire on March 31, 2012.

The Natural Gas Supply and Delivery Agreement (the “Agreement”) offers CHA the opportunity to purchase its natural gas supply needs at wholesale instead of retail, and enables the CHA to hedge against potential market price fluctuations through use of multi-tiered price/risk management options.

An extension of the Agreement would allow the CHA to continue to purchase natural gas supplies from non-retail utility sources and thereby reduce the CHA’s overall gas costs. The Department of Housing and Urban Development has historically offered incentives to housing authorities that purchase their natural gas supplies at wholesale costs (wellhead) that are less than what the local retail utility would ordinarily charge. It is critical that the CHA continue to reduce its energy costs through gas purchases made under the wellhead program.

Under Contract #8014 natural gas is supplied to multiple CHA family and senior developments. The following table shows the usage and cost of natural gas in 2008, 2009, 2010 and 2011:

Year	Usage (therms)	Cost
2008	14,601,540	\$12,910,760
2009	12,000,990	\$ 7,679,278
2010	9,307,562	\$ 4,483,461
2011	8,321,629	\$ 3,611,994
TOTAL	44,231,721	\$ 28,685,493

CHA’s aggregate natural gas usage in 2011 was 10.59% less than in 2010 and 43.00% less than in 2008 for the portfolio properties subject to the Agreement, and the respective costs were approximately 19.44 % and 72.03% less over the same periods. The decreases in the CHA’s natural gas consumption and costs were primarily due to price/risk management strategies, building consolidations and closures, and energy-efficient retrofits.

CHA is recommending that Contract #8014 be extended for twelve (12) months by exercising the third one year option, from April 1, 2012 through March 31, 2013, in an amount not-to-exceed \$4,106,913, to allow the CHA to continue to purchase natural gas supplies from non-retail utility sources and thereby reduce the CHA’s overall gas costs. It is critical to the CHA that the agency be able to continue to reduce its energy costs through gas purchases made under the wellhead program.

If authorized, this will be the third amendment of the existing contract. The anticipated use and costs for the proposed April 1, 2012 through March 31, 2013 extension are as follows:

<u>Month</u>	<u>Estimated Usage (therms)</u>	<u>Estimated Therm Cost</u>	<u>Total</u>
April	925,773	\$0.4103	\$379,826
May	584,006	\$0.4169	\$243,478
June	290,631	\$0.4233	\$123,018
July	202,212	\$0.4297	\$ 86,880
August	179,381	\$0.4346	\$ 77,957
September	320,919	\$0.4355	\$139,760
October	593,632	\$0.4404	\$261,459
November	843,724	\$0.4589	\$387,185
December	1,435,367	\$0.4941	\$709,258
January	1,171,472	\$0.5105	\$598,048
February	1,180,996	\$0.5093	\$601,529
March	985,536	\$0.5058	\$498,514
Totals:	8,713,649		\$4,106,913

Based on the foregoing, it is in the best interest of the CHA to authorize the Chief Executive Officer or his designee to execute an amendment extending Contract #8014 with Integrys Energy Services, Inc, for the period of April 1, 2012 through March 31, 2013 to purchase natural gas supplies for an amount not-to-exceed \$4,106,913.

RESOLUTION NO. 2012-CHA-16

WHEREAS, the Board of Commissioners of the Chicago Housing Authority has reviewed the memorandum dated February 15, 2012 entitled "AUTHORIZATION TO EXERCISE THE THIRD ONE-YEAR OPTION FOR CONTRACT #8014 WITH INTEGRYS ENERGY SERVICES, INC. FOR THE SUPPLY OF NATURAL GAS TO VARIOUS CHA RESIDENTIAL SITES AND FACILITIES"

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY

THAT, the Board of Commissioners authorizes the Chief Executive Officer or his designee execute an amendment exercising the third one-year option extending Contract #8014 with Integrys Energy Services, Inc., for the supply of natural gas to various CHA residential sites and facilities for the period of April 1, 2012 through March 31, 2013, in an amount not-to-exceed \$4,106,913.

